CROSS-CHECK NOTE

Loss-Making Property Sales (Cotality Q2 2026)

and Previously Documented Banking / Hazard / Older-Stock Patterns

13 August 2026

1. Purpose

This note places the Cotality Pain and Gain data for the second quarter of 2026 (reported by RNZ on 13 August 2026) against the earlier body of work on banking treatment of hazard-noted properties, insurance friction, older housing stock, and the wider infrastructure / hazard-mapping context.

It distinguishes primary market drivers from amplifying mechanisms and avoids overclaiming causation where the public data does not support it.

2. Cotality Q2 2026 Loss Data – Key Figures

Source: Cotality Pain and Gain report, Q2 2026, as reported by RNZ (Susan Edmunds, 13 August 2026).

- National loss-making resales: 13.1% — highest rate since 2012.
- Auckland: 20.9% sold at a loss.
- Wellington: 18.4% sold at a loss.
- Apartments: 45.4% sold at a loss (weakest since 2010).
- Median loss: $60,000. Total losses in the quarter: $159 million.
- Median hold period for loss-making sales: 4.3 years.
- Median hold period for profitable sales: 10.4 years (record).

Cotality's own commentary attributes the rise primarily to the post-2021 market correction, higher mortgage rates, elevated listings, and the structural weakness of the apartment segment. The report does not isolate hazard notations, insurance status, or building age as explanatory variables.

3. Previously Documented Patterns

Earlier analysis established the following mechanisms (drawn from LGOIMA/OIA responses, banking practice observations, and public policy documents):

3.1 Banking treatment of hazard-noted properties

Properties carrying natural-hazard notations (Section 74 notices or equivalent) face more conservative lending treatment. Banks may decline finance, require larger deposits, demand additional geotechnical or insurance evidence, or impose stricter conditions. Where comprehensive insurance cannot be obtained, many lenders will not proceed.

3.2 Insurance friction

Hazard notations can affect both the availability and cost of insurance. Insurance status is frequently a binding constraint on bank lending. This creates a compounding effect: notation → insurance difficulty → lending restriction.

3.3 Older housing stock

Market practice has shown more restrictive treatment of older (particularly pre-1940s) housing stock in some lending decisions. Public data does not yet isolate this cohort cleanly, but Auckland and Wellington contain large volumes of such stock.

3.4 Hazard mapping and infrastructure context

Limited comparative analysis of infrastructure protection versus managed retreat pathways, combined with a central funding vacuum for flood protection, expands the set of properties that carry hazard notations over time. More notations enlarge the pool of properties subject to the banking and insurance frictions above.

4. Cross-Check Assessment

4.1 Primary drivers of the current loss rate

The Cotality data and accompanying commentary indicate that the dominant drivers of the 13.1% national loss rate are the general market cycle (post-2021 peak), higher mortgage rates, high listings, and the particular weakness of the apartment segment. These factors explain the bulk of the observed losses.

4.2 Amplifying role of hazard / lending / insurance mechanisms

The mechanisms documented earlier act as amplifiers rather than primary drivers. In a soft market, properties that already face extra lending conditions, insurance uncertainty, or hazard notations require deeper discounts or longer time on market to clear. This increases the probability that short-hold owners exit at a loss.

4.3 Geographic consistency

Auckland (20.9%) and Wellington (18.4%) record the highest loss rates. Both cities also contain significant older housing stock and areas subject to flood or coastal hazard mapping. The geographic overlap is consistent with an amplification effect, but does not by itself prove that hazard or lending factors are the main cause of the elevated loss rates.

4.4 Data gap

Cotality does not publish a cut of loss-making sales by hazard notation status or by building age. Until such a cut exists (or is obtained through official information channels), the size of the amplification effect cannot be quantified from public market data alone.

5. Summary Assessment

Claim	Assessment
Current national loss rate is mainly caused by hazard mapping and bank lending restrictions	Not supported by Cotality data. Primary drivers are market cycle, rates, and apartment weakness.
Hazard notations + blunt lending + insurance friction make losses worse for affected properties	Supported as an amplifying mechanism. These factors raise exit costs and shrink the buyer pool.
Older / hazard-noted stock already appears as a distinct high-loss cohort in public data	Not yet visible. Cotality does not publish that breakdown.
Auckland & Wellington loss concentration is consistent with both market softness and the presence of additional risk factors	Yes. Geographic overlap is consistent with amplification, but not conclusive proof of primary causation.

6. Conclusion

The Cotality figures confirm a soft market that is already delivering material losses, particularly in Auckland, Wellington, and the apartment segment. The banking, insurance, and hazard-notation mechanisms documented in earlier work sit on top of that softness and make outcomes worse for the subset of properties they affect.

They are amplifiers, not the main engine of the current national loss rate. Quantifying the size of the amplification effect requires data that is not yet in the public domain.

This note is provided for the record so that the relationship between the market data and the earlier pattern analysis is stated clearly and without overclaim.

Independent researcher
13 August 2026